

Southern California Association of Governments



2007/2008 RTP Update

Finance Update

Los Angeles, CA
November 16, 2006

System Metrics Group, Inc.

Finance update



- Progress to date
- Issues related to both revenue and project cost forecasts
- Status of revenue and project cost submittals
- Next steps

Progress to Date

We have been making modest progress on the finance element for the RTP

- We have met with county representatives and discussed our data needs
- We have compiled the information received to date and identified missing information that we still need
- We have identified common issues relating to both revenue and costs, including:
 - Time horizon differences between the RTP and county plans
 - Federal requirements for using nominal dollars in the finance element
- We have started looking at scenarios for public private partnerships and developed a preliminary framework for the rail freight component (to be discussed at a later TAC meeting)

Forecasting Issues

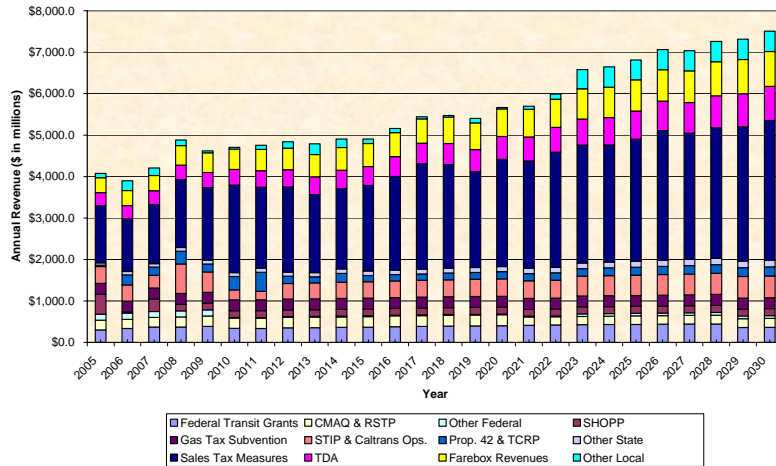
Issue #1 – time horizon differences example

- LACMTA (Metro) provided us with a revenue forecast through 2030 in nominal dollars. The total for the revenues over the period is \$146.8 billion (starting in FY05 and including beginning balances)
- The SCAG RTP future horizon year is 2035. We need to estimate revenues for the years 2031 through 2035
- This issue also affects the other counties (e.g., Orange County, San Bernardino)
- We had discussed with the TAC that SCAG would extrapolate the revenues through 2035 and provide them to the counties for review

Issue #1 – LACMTA Example – existing forecast by major revenue source totaling \$146.8 billion (nominal dollars)



LACMTA Revenue Forecast
(2005 to 2030)



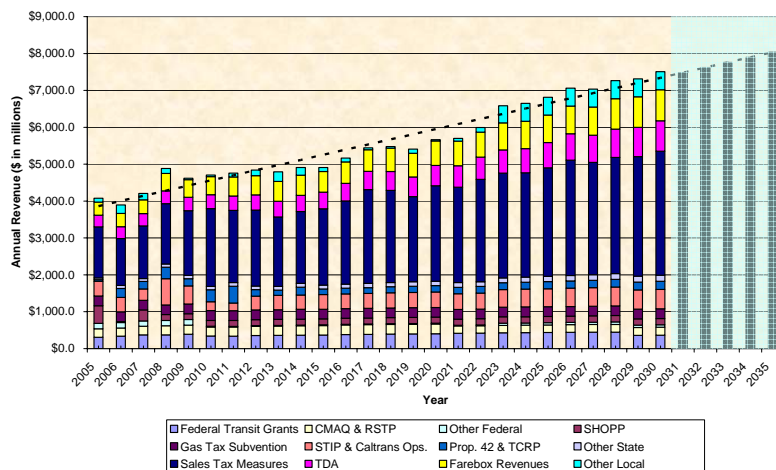
6

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Issue #1 – LACMTA Example – If we extrapolated through 2035 using the total revenue trends, the LACMTA revenues would increase to \$185.6 billion (also in nominal dollars)



LACMTA Revenue Forecast
(Extended to 2035)



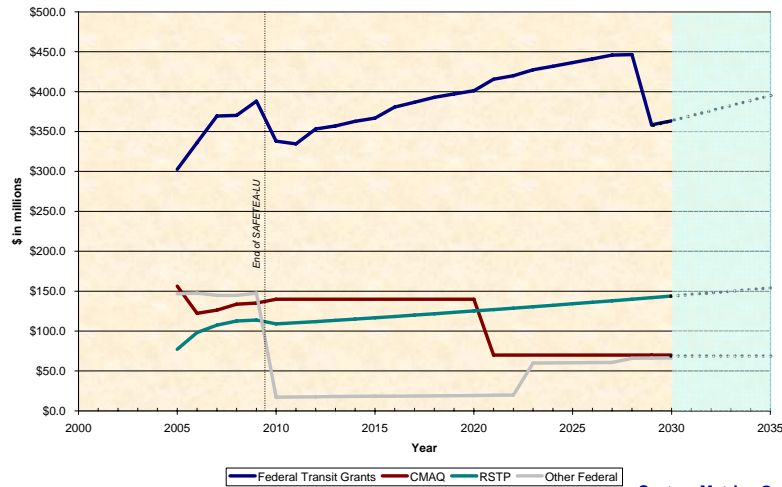
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Issue #1 – LACMTA Example – However, we believe it is more prudent to extrapolate by major revenue source since the different trends may vary ... example federal sources



Federal Revenue Sources



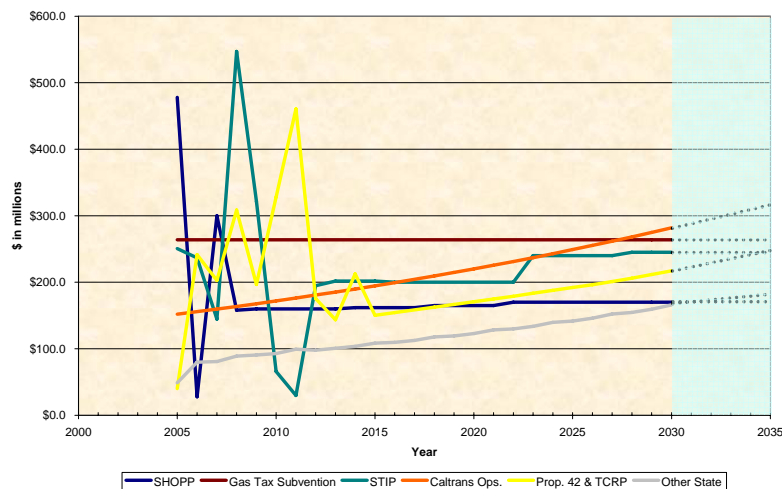
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8

Issue #1 – LACMTA Example – However, we believe it is more prudent to extrapolate by major revenue source since the different trends may vary ... example local sources



State Revenue Sources



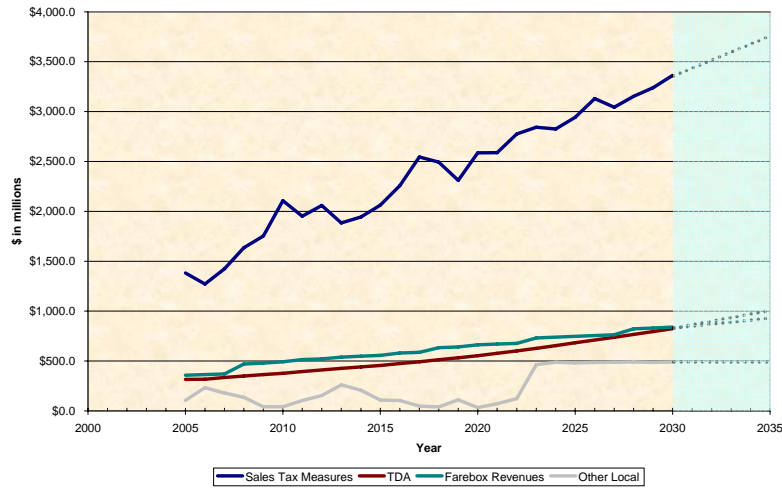
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9

Issue #1 – LACMTA Example – However, we believe it is more prudent to extrapolate by major revenue source since the different trends may vary ... example local sources



Local Revenue Sources



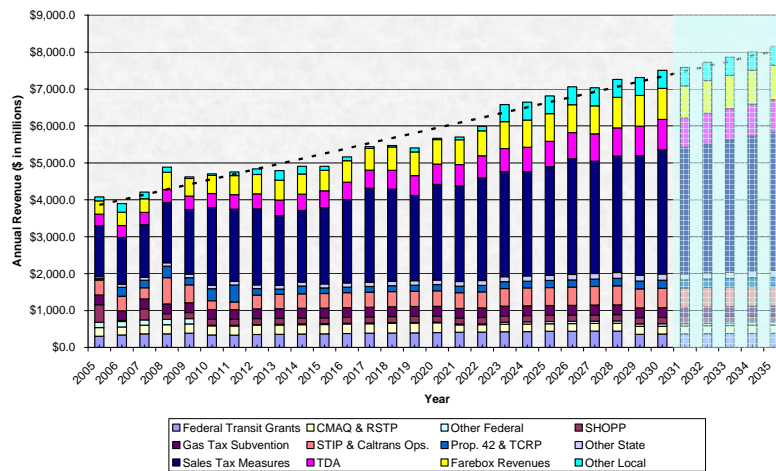
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10

Issue #1 – LACMTA Example – Using the trend line by major revenue source, the LACMTA revenues would increase to \$189.9 billion (also in nominal dollars)



LACMTA Revenue Forecast
(Extended to 2035 by Revenue Category)



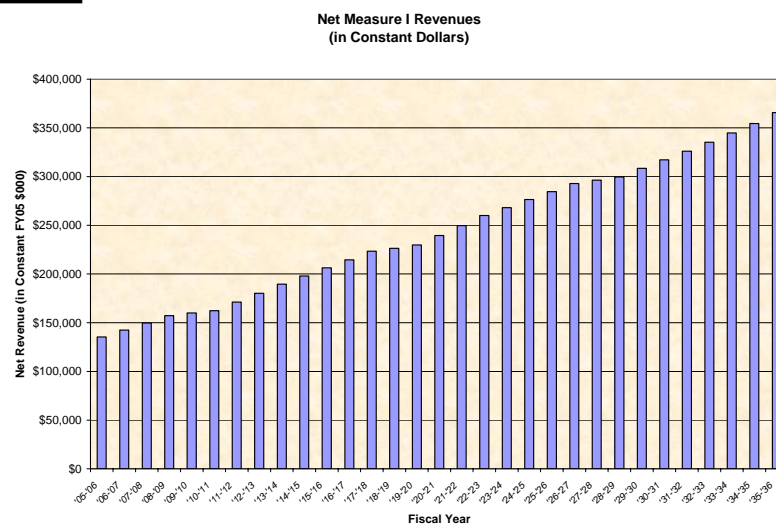
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11

Issue #2 – Forecasts must be made in nominal dollars

- The 2004 RTP finance plan was developed in constant dollars
- This time around, we have to include nominal dollar forecasts to meet the new federal requirements
- For counties submitting forecasts in constant dollars, SCAG will need to inflate these numbers in order to develop nominal dollar forecasts

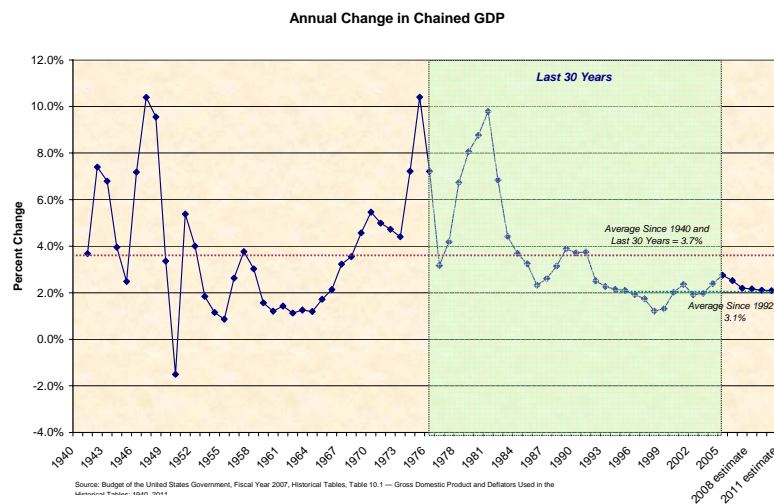
Issue #2 – SANBAG Example – Measure I totals around \$7.6 Billion through 2035 in constant dollars



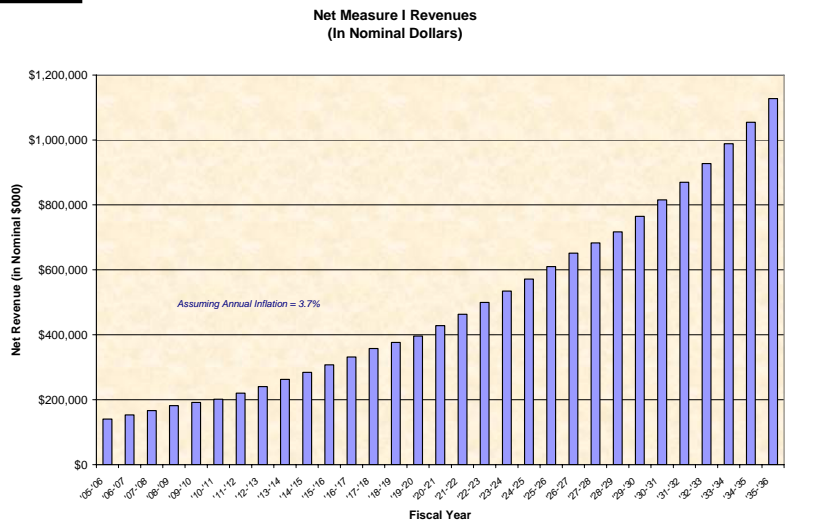
Issue #2 – We recommend using the GDP Price Index for inflating constant dollars to nominal dollars

- The three primary indices used are: GDP Price Index, CPI, and PPI
- The Price Index for Gross Domestic Product measures the change in the average level of the prices paid for goods and services produced in the U.S. The nation's Gross Domestic Product (GDP) is a measure of the output of the national economy; it measures the value of all the goods and services produced within the U.S. in a given period, including those produced by foreign citizens or firms operating in the U.S. GDP is comprised of consumer expenditures, private and public investment, government expenditures, and exports net of imports.
- The Consumer Price Index (CPI or CPI-U) measures the average change in the prices urban consumers pay for a fixed market basket of goods and services. The market basket is made up of items people use in daily living, and includes both items produced in the U.S. and imported items. The relative amounts of each good or service included in the basket is based on amounts purchased by consumers during a base time period.
- The producer price index (PPI) reflects the average changes in prices that producers receive for their goods at all stages of the manufacturing process, from crude materials to finished products. The index includes the output from the goods-producing sectors: manufacturing; agriculture; forestry; fishing; mining; and gas, electricity, and waste and scrap materials. The PPI provides limited coverage of the output of the service sectors.

Issue #2 – SANBAG Example – We further recommend using the 30 year average GDP Price Index to inflate the revenues



Issue #2 – SANBAG Example – Using the 3.7% figure, the SANBAG Measure I revenues would total around \$15.5 billion in nominal dollars



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16

Categories to be forecasted separately



- Local
 - Sales Tax
 - Transportation Development Act (Local Transportation Fund)
 - Gas Tax Subvention
 - Farebox Revenue
 - Tolls (Orange County TCA)
 - Mitigation Fees (Coachella Valley and Western Riverside TUMF, San Bernardino Development Mitigation Program)
- State
 - Regional Improvement Program (RIP)
 - Inter-Regional Improvement Program (IIP)
 - State Highway Operation and Protection Program (SHOPP)
 - State Gasoline Sales Tax (TCRP, Proposition 42, & Proposition 1A)
 - State Transit Assistance (50% of PTA)
 - Proposition 1B
 - Other State
- Federal
 - Congestion Mitigation Air Quality (CMAQ)
 - Regional Surface Transportation Program (RSTP)
 - FTA Formula (5307, 5310, 5311, 5309a Fixed Guideway)
 - FTA Discretionary (5309b New Starts, 5309c Bus)
 - Other Federal (5308, Highway Bridge Rehab, Local Assistance, any other funds not specifically listed above)

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17

Revenue and Project Cost Submittal Status

Status of transportation revenue submittals

- We have requested annual revenue forecasts (by revenue category if possible) from each county (except for Imperial)
- LACMTA (Metro) has provided a complete revenue forecast by year by category in nominal dollars through 2030
- SANBAG has provided the Measure I annual forecast only in constant dollars through 2039
- RCTC also provided the Measure A through 2039 and TUMF through 2012 annual forecast only in nominal dollars
- The OCTA 2006 Long Range Transportation Plan provides revenue forecasts to year 2030 as a total (i.e., without year-to-year breakdown) in constant dollars
- We have not received revenue forecasts from Ventura
- As we develop a full forecast in nominal dollars, we will submit them to each county for review and comment

Status of project cost submittals

- We have requested for list of planned (RTP) and programmed (RTIP) projects from each county in a spreadsheet pre-formatted for each county
- Planned project lists were received from:
 - Los Angeles County Metropolitan Transportation Authority (Metro)
 - San Bernardino Association of Governments (SANBAG)
 - Riverside County
 - Ventura County.
- Project cost information submitted occasionally has missing information
- We have not yet received planned project lists from Orange County.
- Project costs were submitted in both nominal and constant dollars. We will adjust them to nominal dollars and submit them for review and comment.

Next Steps

Next steps

- Obtain missing data
- Develop full revenue forecast in nominal dollars through 2035 and present to the TAC for comment and review
- Develop full project cost listings in nominal dollars through 2030 and present to the TAC for comment and review
- Obtain projects for 2031 through 2035 from counties as appropriate
- Present preliminary financial forecasts to policy committees.

Questions